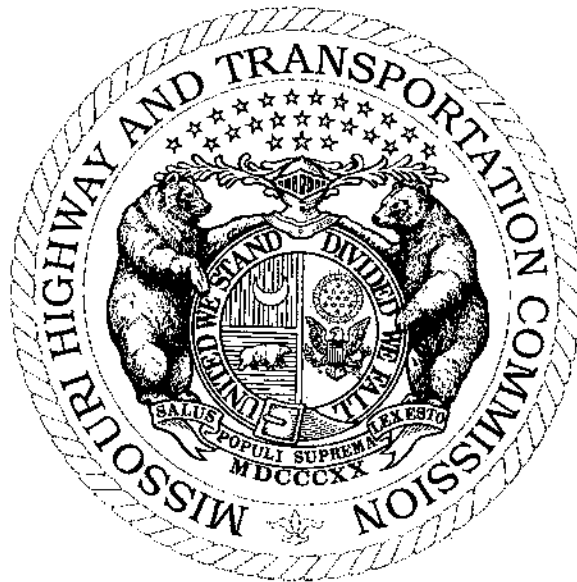


**MISSOURI DEPARTMENT
OF TRANSPORTATION**



Combined Financial Statements and Schedules

June 30, 2000

MISSOURI DEPARTMENT OF TRANSPORTATION

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MISSOURI DEPARTMENT OF TRANSPORTATION

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Independent Auditors' Report

Missouri Highway and Transportation Commission:

We have audited the combined financial statements of the Missouri Department of Transportation as of and for the year ended June 30, 2000, as listed in the accompanying table of contents. These combined financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units: Fulton 54 Transportation Corporation and 210 Highway Transportation Development District. The discretely presented component unit financial statements that we did not audit reflect total assets of \$19,144,846 as of June 30, 2000, total revenues and other financing sources of \$9,361,890 for the Government Fund Type, and total operating revenues of \$4,471 for the Proprietary Fund Types for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fulton 54 Transportation Corporation and the 210 Highway Transportation Development District discretely presented component units, is based upon the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the combined financial statements of the Missouri Department of Transportation are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Missouri that is attributable to the transactions of the Department of Transportation.

In our opinion, based on our audit and the reports of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Department of Transportation as of June 30, 2000 and the results of its operations and the cash flows of its Proprietary Fund Types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Department of Transportation. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also provided our report dated October 31, 2000 on our consideration of the Department's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

October 31, 2000

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Balance Sheet -- All Fund Types, Account Groups,
and Discretely Presented Component Units

June 30, 2000

Assets and Other Debits	Governmental Fund Types			Proprietary	Fiduciary Fund Types Agency	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Capital Projects	Internal Service		General Fixed Assets	General Long- term Debt			
Cash and investments (note 2)	\$ 397,921	11,346,675	132,551,105	22,235,110	—	—	—	166,530,811	6,191,799	172,722,610
Receivables (note 5)	1,932,922	94,500,378	55,009,648	1,907,075	—	—	—	153,350,023	13,389,673	166,739,696
Due from other funds (note 4)	—	—	2,792,819	—	—	—	—	2,792,819	—	2,792,819
Due from other state agencies	3,295,418	—	—	—	—	—	—	3,295,418	—	3,295,418
Advances to the Missouri Department of Transportation (the Department) (note 6)	—	—	—	—	—	—	—	—	65,306,913	65,306,913
Inventories	—	5,631	33,264,714	—	—	—	—	33,270,345	—	33,270,345
Other assets	—	—	—	—	—	—	—	—	11,880,180	11,880,180
Restricted cash and investments (note 2)	—	—	—	—	38,510,629	—	—	38,510,629	40,081,433	78,592,062
Fixed assets (note 7)	—	—	—	—	—	547,718,240	—	547,718,240	—	547,718,240
Amount to be provided for retirement of long-term debt	—	—	—	—	—	—	134,084,180	134,084,180	—	134,084,180
Total assets and other debits	\$ 5,626,261	105,852,684	223,618,286	24,142,185	38,510,629	547,718,240	134,084,180	1,079,552,465	136,849,998	1,216,402,463
Liabilities, Equity, and Other Credits										
Accounts payable	\$ 5,140,144	15,910,382	61,999,734	29,040,881	—	—	—	112,091,141	168,995	112,260,136
Article X Hancock refunds (note 11)	—	2,026,650	285,024	—	—	—	—	2,311,674	—	2,311,674
Retainages payable	—	—	29,436,028	—	—	—	—	29,436,028	—	29,436,028
Due to other funds (note 4)	124,453	29,731	—	—	2,638,635	—	—	2,792,819	—	2,792,819
Accrued interest payable	—	—	—	—	—	—	—	—	323,646	323,646
Deferred revenue	72,892	—	39,400,710	2,681,665	—	—	—	42,155,267	6,982,745	49,138,012
Note payable	—	—	—	—	—	—	—	—	1,000,000	1,000,000
Bonds payable	—	—	—	—	—	—	—	—	51,828,789	51,828,789
Advances from other governments (note 6)	—	—	—	—	35,871,994	—	11,200,766	47,072,760	—	47,072,760
Advances from component units (note 6)	—	—	—	—	—	—	65,306,913	65,306,913	—	65,306,913
Federal Highway Administration loan (note 6)	—	—	—	—	—	—	15,000,000	15,000,000	—	15,000,000
Capital lease obligations (note 6)	—	—	—	—	—	—	782,174	782,174	—	782,174
Compensated absences (note 6)	24,361	3,195,354	—	—	—	—	25,265,041	28,484,756	—	28,484,756
Claims and judgments payable (note 8)	—	—	—	—	—	—	16,529,286	16,529,286	—	16,529,286
Total liabilities	5,361,850	21,162,117	131,121,496	31,722,546	38,510,629	—	134,084,180	361,962,818	60,304,175	422,266,993
Equity and other credits:										
Investment in general fixed assets	—	—	—	—	—	547,718,240	—	547,718,240	—	547,718,240
Contributed capital	—	—	—	210,000	—	—	—	210,000	4,462,357	4,672,357
Retained earnings (deficit)	—	—	—	(7,790,361)	—	—	—	(7,790,361)	—	(7,790,361)
Fund balances:										
Reserved for inventories	—	5,631	33,264,714	—	—	—	—	33,270,345	—	33,270,345
Reserved for notes receivable	—	2,129,707	—	—	—	—	—	2,129,707	—	2,129,707
Unreserved	264,411	82,555,229	59,232,076	—	—	—	—	142,051,716	72,083,466	214,135,182
Total equity and other credits	264,411	84,690,567	92,496,790	(7,580,361)	—	547,718,240	—	717,589,647	76,545,823	794,135,470
Contingencies and commitments (note 11)										
Total liabilities, equity, and other credits	\$ 5,626,261	105,852,684	223,618,286	24,142,185	38,510,629	547,718,240	134,084,180	1,079,552,465	136,849,998	1,216,402,463

See accompanying notes to combined financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –
General, Special Revenue, and Capital Projects Funds

For the Year Ended June 30, 2000

	Governmental Fund Types			Total Primary Government (Memorandum Only)	Component Unit – 210 Highway	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Capital Projects			
Revenues:						
Taxes (note 3)	\$ —	526,317,132	127,166,590	653,483,722	370,476	653,854,198
Licenses, fees, and permits	—	145,763,707	90,829,453	236,593,160	—	236,593,160
Investment and interest	—	3,250,927	7,926,757	11,177,684	—	11,177,684
Cost reimbursements	1,106,382	2,306,973	70,536,591	73,949,946	—	73,949,946
Appropriations	9,925,765	8,116,937	28,000	18,070,702	—	18,070,702
Federal Highway Administrator	26,034,979	—	616,403,153	642,438,132	—	642,438,132
Total revenues	37,067,126	685,755,676	912,890,544	1,635,713,346	370,476	1,636,083,822
Expenditures:						
Personal service	1,150,600	418,012,390	—	419,162,990	—	419,162,990
Operating	223,578	76,366,537	179,117,433	255,707,548	—	255,707,548
Specific programs	2,288,492	398,380	317,891	3,004,763	—	3,004,763
Equipment purchases	2,186	9,434,114	32,271,967	41,708,267	—	41,708,267
Property and improvements	299,154	9,313,885	869,295,315	878,908,354	—	878,908,354
Debt service	—	—	8,523,353	8,523,353	223,170	8,746,523
Article X Hancock refund (note 10)	—	572,277	93,208	665,485	—	665,485
Intergovernmental	32,800,970	11,632,948	—	44,433,918	—	44,433,918
Bond issue costs	—	—	—	—	503,543	503,543
Miscellaneous	37,735	6,061,820	5,065,909	11,165,464	6,804	11,172,268
Total expenditures	36,802,715	531,792,351	1,094,685,076	1,663,280,142	733,517	1,664,013,659
Excess of revenues over (under) expenses	264,411	153,963,325	(181,794,532)	(27,566,796)	(363,041)	(27,929,837)
Other financing sources (uses):						
Proceeds from issuance of long-term debt	—	—	20,365,638	20,365,638	8,991,414	29,357,052
Operating transfers from other funds (note 4)	—	15,000,000	181,033,885	196,033,885	—	196,033,885
Operating transfers to other funds (note 4)	—	(181,033,885)	(15,000,000)	(196,033,885)	—	(196,033,885)
Total other financing sources (uses)	—	(166,033,885)	186,399,523	20,365,638	8,991,414	29,357,052
Excess of revenues and other sources over (under) expenditures and other uses	264,411	(12,070,560)	4,604,991	(7,201,158)	8,628,373	1,427,215
Fund balance, beginning of year	—	96,761,127	87,891,799	184,652,926	281,764	184,934,690
Fund balance, end of year	\$ 264,411	84,690,567	92,496,790	177,451,768	8,910,137	186,361,905

See accompanying notes to combined financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Budget and Actual (Budget Basis) – General, Special Revenue,
 and Capital Projects Funds

For the Year Ended June 30, 2000

	General Fund		Special Revenue		Capital Projects	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:						
Fuel taxes	\$ —	—	481,698,045	485,265,434	285,799	100,928
Licenses, fees, and permits	—	—	159,170,648	145,771,169	84,799,353	99,777,093
Vehicles sales and use taxes	—	—	39,821,977	40,555,407	127,378,023	139,492,766
Interest	—	—	2,805,924	3,346,898	5,419,912	5,424,368
Cost reimbursements	—	—	3,344,984	3,113,610	58,990,408	74,670,863
Appropriations	12,726,920	7,475,424	8,116,937	8,116,937	265,549	28,000
Federal Highway Administrator	30,108,736	27,080,033	—	—	586,400,000	617,483,420
Local match	866,261	866,261	—	—	—	—
Total revenues	43,701,917	35,421,718	694,958,515	686,169,455	863,539,044	936,977,438
Expenditures:						
Administration	—	—	47,986,055	45,702,782	—	—
Maintenance	—	—	164,722,688	159,613,424	132,402,210	111,720,545
Construction	713,298	299,154	112,508,144	105,557,768	892,366,095	890,671,344
Service Operations	—	—	35,616,964	29,820,064	64,078,854	80,542,706
Multimodal Operations	57,701,655	37,155,913	14,289,527	11,844,255	39,578	32,587
Mississippi Parkway Commission	21,826	21,826	—	—	—	—
STAR Loan Disbursement	—	—	1,712,000	1,675,000	—	—
Article X Hancock Refunds	—	—	4,896,715	3,442,342	642,897	451,081
Appropriations spent by other agencies	—	—	179,882,654	175,019,171	—	—
Total expenditures	58,436,779	37,476,893	561,614,747	532,674,806	1,089,529,634	1,083,418,263
Excess of revenues over (under) expenditures	\$ (14,734,862)	(2,055,175)	133,343,768	153,494,649	(225,990,590)	(146,440,825)
Other financing sources (uses):						
Proceeds from issuance of long-term debt	—	—	—	—	—	18,975,952
Operating transfers from other funds	—	—	—	15,000,000	—	181,033,885
Operating transfers to other funds	—	—	—	(181,033,885)	—	(15,000,000)
Total other financing sources (uses)	—	—	—	(166,033,885)	—	185,009,837
Excess revenues and other sources over (under) expenditures and other uses	—	(2,055,175)	—	(12,539,236)	—	38,569,012
Fund balance (deficit), beginning of year	—	(2,687,048)	—	7,862,242	—	26,587,310
Fund balance (deficit), end of year	—	\$ (4,742,223)	—	(4,676,994)	—	65,156,322

See accompanying notes to combined financial statements.

Exhibit D

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Revenues, Expenses, and Changes in
Retained Earnings (Deficit) -- Internal Service Funds and
Discretely Presented Component Units

For the Year Ended June 30, 2000

	Internal Service	Component Units
Operating revenues:		
Insurance premiums:		
Highway workers' compensation	\$ 5,125,230	—
Highway patrol workers' compensation	816,696	—
Highway automobile liability	1,135,508	—
Contributions:		
State	30,653,487	—
Member	18,515,074	—
Interest income	—	1,817,057
Other	419,412	9,459
Total operating revenues	<u>56,665,407</u>	<u>1,826,516</u>
Operating expenses:		
Program	649,022	—
Self-insurance claims:		
Highway workers' compensation	4,321,058	—
Highway patrol workers' compensation	1,552,302	—
Highway automobile liability	434,750	—
Highway general liability	(114,623)	—
Medical and life:		
Insurance premium	6,030,103	—
Claims	34,946,035	—
Administrative service	2,101,936	—
Prescription drugs	9,109,351	—
Professional fees	135,990	—
Other	31,525	—
Loan loss reserve	—	59,650
Other	—	23,809
Total operating expenses	<u>59,197,449</u>	<u>83,459</u>
Operating income (loss)	<u>(2,532,042)</u>	<u>1,743,057</u>
Nonoperating revenues:		
Interest income	1,304,368	1,312,521
Interest expense	—	(1,010,606)
Federal grant	—	9,185,600
State grant	—	2,000,000
Net decrease in fair value of investments	(94,665)	—
Total nonoperating revenues	<u>1,209,703</u>	<u>11,487,515</u>
Income (loss)	<u>(1,322,339)</u>	<u>13,230,572</u>
Retained earnings (deficit) at beginning of year	<u>(6,468,022)</u>	<u>49,942,757</u>
Retained earnings (deficit) at end of year	<u>\$ (7,790,361)</u>	<u>63,173,329</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Cash Flows – Internal Service Funds
and Discretely Presented Component Units

For the Year Ended June 30, 2000

	Internal Service	Component Units
Cash flows from operating activities:		
Operating (loss) income	\$ (2,532,042)	1,743,057
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Increase in receivables	(1,415,013)	—
Loan loss reserve	—	59,650
Increase in interest receivable on loans	—	(132,432)
Decrease in due to the Department	—	(411,169)
Increase (decrease) in accounts payable	(268,106)	—
Increase in deferred revenue	1,346,119	—
Net cash provided by (used in) operating activities	(2,869,042)	1,259,106
Cash flows from noncapital and related financing activities		
Federal grant	—	9,185,600
State grant	—	2,000,000
Net cash provided by noncapital and related financing activities	—	11,185,600
Cash flows from capital and related financing activities:		
Proceeds from bonds	—	20,846,282
Proceeds from notes	—	1,000,000
Interest paid	—	(1,035,425)
Advances to the Department	—	(15,707,702)
Net cash provided by capital and related financing activities	—	5,103,155
Cash flows from investing activities:		
Loans disbursed	—	(6,832,000)
Principal collected	—	4,876,574
Sale of investments	4,792,781	4,573,242,967
Purchase of investments	(3,513,374)	(4,583,731,858)
Interest on investments	1,304,368	1,302,453
Net cash provided by (used in) investing activities	2,583,775	(11,141,864)
Net increase (decrease) in cash and cash equivalents	(285,267)	6,405,997
Cash and cash equivalents at beginning of year	1,889,332	12,744,700
Cash and cash equivalents at end of year	\$ 1,604,065	19,150,697
Cash	\$ 825,504	19,150,697
Repurchase agreements	778,561	—
	\$ 1,604,065	19,150,697

See accompanying notes to combined financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

(1) Summary of Significant Accounting Policies

The State Highway Department was created in 1913 to act as the state's agent for public roads. The State Highway Commission was created in 1921 with the passage of the Centennial Road Law and was charged with the administration of the network of connecting state highways, including their location, design, construction, and maintenance.

In 1979, the State of Missouri passed a constitutional amendment merging the State Highway Department with the Department of Transportation (the Department). This constitutional amendment gave a newly created Highway and Transportation Commission (the Commission) the authority over all state transportation programs and facilities. The Commission is a bipartisan body of six members appointed by the Governor with the consent of the Senate for a term of six years.

The state's revenue, General Fund, and the Third State Building Trust Fund included in these combined financial statements do not represent all of the fund's activity as discussed in note 1(B). Therefore, expenditures presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Department and other state agencies are not allocated to the fund or applicable program.

A. *Financial Reporting Entity*

The combined balance sheet presents the Department and its component units, entities for which the Department is considered to be financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Department.

The Commission may impose its will on the Missouri Transportation Finance Corporation (MTFC). MTFC was created by the Commission under the Missouri General Not-for-Profit Corporation Law, Chapter 355 of the Revised Statutes of Missouri, to provide financing and other assistance to public and private entities for highway and transportation projects in the State of Missouri. The MTFC Board of Commissioners consists of two Highway and Transportation Commissioners, three Department of Transportation employees by virtue of their job position, and three members from the general public. Because five of eight MTFC commissioners are also associated with decision-making for the operations of the Department, the Department has significant influence over the activities performed by MTFC. Copies of the MTFC financial statements can be requested from:

Missouri Transportation Finance Corporation
P. O. Box 270
Jefferson City, Missouri 65102
(573) 526-2561

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

The Springfield, Missouri State Highway Improvement Corporation, the Highway 179 Transportation Corporation, the 210 Highway Transportation Development District, and the Fulton 54 Transportation Corporation (the Corporations) are not-for-profit corporations organized under the Missouri Transportation Corporation Act. They are authorized to issue revenue bonds for the purpose of paying all or any part of the cost of paving, grading, constructing, expanding, improving, or financing any facility constituting a "project" under the Missouri Transportation Corporation Act. Their governing bodies consist of a Board of Directors that is appointed by the Commission. When the purposes for which the Corporations were formed have been complied with and all obligations have been paid, each board shall, with the approval of the Commission, dissolve the Corporations. Upon dissolution, any assets of the Corporations will be liquidated and deposited in the State Road Fund and will become the property of the Commission. Copies of the Corporations' financial statements can be requested from:

Springfield, Missouri State Highway Improvement Corporation
840 Boonville
Springfield, Missouri 65801

Highway 179 Transportation Corporation
320 East McCarty
Jefferson City, Missouri 65101

210 Highway Transportation Development District
2345 Grand Boulevard, Suite 2100
Kansas City, Missouri 64108

Fulton 54 Transportation Corporation
P. O. Box 130
Fulton, Missouri 65251

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

Summarized below is financial information for the discretely presented component units:

	Springfield, Missouri State Highway Improvement Corporation	Missouri Transportation Finance Corporation	210 Highway Transportation Development District	Highway 179 Transportation Corporation	Fulton 54 Transportation Corporation	Total
Assets:						
Current assets	\$ —	1,556,982	89,721	5,431,059	—	7,077,762
Other assets	28,689,745	63,501,388	18,055,125	18,525,978	1,000,000	129,772,236
Total assets	\$ 28,689,745	65,058,370	18,144,846	23,957,037	1,000,000	136,849,998
Liabilities:						
Current liabilities	\$ 5,022,745	11,075	157,920	2,283,646	1,000,000	8,475,386
Bonds payable	23,667,000	—	9,076,789	19,085,000	—	51,828,789
Total liabilities	28,689,745	11,075	9,234,709	21,368,646	1,000,000	60,304,175
Contributed capital	—	—	—	4,462,357	—	4,462,357
Retained earnings (deficit)	—	65,047,295	8,910,137	(1,873,966)	—	72,083,466
Total liabilities and equity	\$ 28,689,745	65,058,370	18,144,846	23,957,037	1,000,000	136,849,998
Operating revenue	\$ —	1,822,045	370,476	—	4,471	2,196,992
Operating expenses	—	83,459	733,517	—	—	816,976
Operating income (loss)	—	1,738,586	(363,041)	—	4,471	1,380,016
Nonoperating revenues	—	12,197,283	8,991,414	300,838	—	21,489,535
Nonoperating expenses	—	—	—	1,006,135	4,471	1,010,606
Net income (loss)	\$ —	13,935,869	8,628,373	(705,297)	—	21,858,945

B. Basis of Presentation and Fund Structure

The accounts of the Department are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Account groups are a reporting device to account for certain assets and liabilities of each fund not directly in those funds.

The Department has the following fund types and account groups.

Governmental Funds are used to account for the Department's general government activities. Governmental Fund Types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Department considers all revenues available if they are collected within sixty days after year-end. Unmatured interest payable on general long-term debt is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Significant revenues susceptible to accrual include interest, taxes, and federal grants.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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Governmental Fund Types used by the Department are:

- *General Fund:* The General Fund accounts for ordinary operations financed by legislative-approved appropriations from general revenues and used for general governmental purposes. Only appropriations to the Department from the General Fund are presented in the combined financial statements.
- *Special Revenue Funds:* These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes. The State Highway and Transportation Department Fund, State Transportation Fund, Aviation Trust Fund, and the State Transportation Assistance Revolving Fund are considered Special Revenue Funds.
- *Capital Projects Funds:* These funds are established to account for major capital expenditures. The State Road Fund is considered a Capital Projects Fund. All transactions recorded in the State Road Fund are presented in the combined financial statements. Additionally, the Department receives appropriations from the Third State Building Trust Fund. These appropriations are included in the Capital Projects Funds.

Proprietary Funds: These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In reporting the financial activity of its Proprietary Funds, the Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. Proprietary Funds include the following fund type:

- *Internal Service Funds:* These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Internal Service Funds include the Self-Insurance Fund and the Highway Employees' and Highway Patrol Insurance Plan Fund.
 - *Highway Employees' and Highway Patrol Insurance Plan Fund:* This fund accounts for the medical and life insurance coverage to Department employees and members of the Missouri State Highway Patrol. Changes to the Plan are required to be approved by the Commission.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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- *Self-Insurance Fund:* This fund accounts for highway and highway patrol monies used to pay workers' compensation claims. Monies are also used to pay automobile and general liability claims against the Department. Under RSMo. Chapter 287, the Department is required to establish an escrow agreement in the amount of \$200,000 to operate as a self-insurer. The Department is in compliance with this requirement and maintains contributed capital in the amount of \$210,000 in an escrow account funded by a contribution from the State Highway and Transportation Department Fund.

Fiduciary Funds: These funds, which include Agency Funds, account for assets held by the Department in a trustee capacity or as an agent for individuals, other governments, or other funds. The Local Fund is a Fiduciary Fund, which accounts for money received by the Department from various political subdivisions and other interested parties. This fund is segregated in its own bank account and used to reimburse Department funds for expenditures incurred by the Department on behalf of the political subdivision or other interested parties.

In addition to the Governmental, Proprietary Funds, and Fiduciary Funds, the Department also maintains two account groups as described below:

- *General Fixed Assets Account Group:* This is not a fund but rather an account group that is used to account for general fixed assets acquired through Governmental Fund Types. General fixed assets do not represent financial resources available for appropriation or expenditure.
- *General Long-term Debt Account Group:* This accounts for general long-term debt and other long-term liabilities relating to Governmental Fund Types. Long-term debt and liabilities include contracts, certificates of participation, compensated absences, and claims and judgments.

C. Fixed Assets

Fixed assets owned by the Department and component units are stated at cost. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Fixed assets recorded in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, and other assets that are immovable and of value only to the government) are not capitalized.

D. Reservations of Fund Equity

The unreserved fund balances for Governmental Funds represent the amount available for budgeting future operations. A portion of the fund equity has been earmarked (e.g., reserved for inventory) to indicate it cannot be used for expenditure of current resources in Governmental Fund Types.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

E. Compensated Absences

Under the terms of the Department's personnel policy, Department employees are granted 10 to 14 hours of vacation per month. Additionally, certain employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees had accrued vacation and compensatory time available amounting to \$28,484,756, of which \$24,361 and \$3,195,354 are included as liabilities in the General Fund and State Highway and Transportation Department Fund, respectively, and the remainder recorded as a liability in the General Long-term Debt Account Group. Employees are not paid for accumulated sick leave upon retirement or termination.

F. Budgetary Principles and Presentation

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual is presented on the Department's budgetary basis of accounting. Under this basis, revenues are recognized when cash is received. Expenditures are recognized for cash disbursements made during the fiscal year and for cash disbursements made in July and August of the subsequent fiscal year (the lapse period) if these items were budgeted for in the current fiscal year.

The Department changed its budgetary basis as of July 1, 1999. In the previous year, the Department's budget was prepared on a modified cash basis in which lapse period expenditures for the previous fiscal year were included in the current fiscal year budget. The effects of this change in budget basis are increases in budget basis actual expenditures of \$1,846,725 and \$3,804,207 in the General and Special Revenue Funds, respectively, and a decrease in expenditures of \$653,074 in the Capital Projects Funds.

The legal authority for approval of the Department's budget and amendments for all funds, except the State Road Fund, rests with the State Legislature. The budgeted amounts lapse at the end of the fourteenth month. Approval of the State Road Fund budget and amendments is given by the Commission. The fund level is the legal level of control for the Road Fund.

The Department develops its budget through processes involving each of its ten local districts and headquarters business units. The legislative budget request is sent to the Office of Administration (OA) on October 1st which, in turn, is forwarded to the Governor's office. The Governor develops a recommendation regarding the approved budget and forwards both the budget request and the recommendation to the Legislature. The Legislature generally acts on budget matters during January through May. The Governor has veto authority and generally acts on those matters in June. The Department distributes funds available internally based on District and business units input and feedback received. This is then presented to the Commission.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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The following is a reconciliation to the difference between the Department's budgetary basis and GAAP basis:

	General Fund	Special Revenue Funds	Capital Projects Funds
Fund balance (deficit), budgetary basis	\$ (4,742,223)	(4,676,994)	65,156,322
Receivables	1,932,922	94,500,378	55,009,648
Due from other funds	—	—	2,792,819
Due from other state agencies	3,295,418	—	—
Inventories	—	5,631	33,264,714
Article X Hancock refunds	—	(2,026,650)	(285,025)
Retainages payable	—	—	(29,436,028)
Deferred revenue	(72,892)	—	(39,400,710)
Due to other funds	(124,453)	(29,731)	—
Compensated absences	(24,361)	(3,195,354)	—
Investment market value adjustment	—	112,787	5,395,050
Fund balance, actual general accepted accounting principles (GAAP) basis	<u>\$ 264,411</u>	<u>84,690,067</u>	<u>92,496,790</u>

G. Deferred Revenue

The Department has recorded deferred revenue in the State Road (Capital Projects) Fund relating to money received from political subdivisions or other interested parties advanced to the Department for costs of construction to be incurred by the Department on the political subdivision or interested parties' behalf. The revenue is recognized when the related work is performed.

H. Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements, including accrued liabilities for compensated absences and claims and judgments. Actual results could differ from those estimates.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

I. Memorandum Only Total Columns

Total columns on the combined financial statements are captioned "memorandum only" to indicate they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in aggregation of these data.

J. Statement of Cash Flows

Pooled cash and cash equivalents include cash and repurchase agreements.

K. Related Party Transactions

The Department sells petroleum products to various other state agencies. Significant sales related to the Missouri Highway Patrol were \$1,339,162 during the fiscal year.

L. Related Organizations

The KCT Intermodal Transportation Corporation (KCT-ITC) and the Lake of the Ozarks Community Bridge Corporation (Bridge Corporation) are not-for-profit corporations organized under the Missouri Transportation Corporation Act. KCT-ITC is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of constructing a railroad bridge to effectuate a grade separation of three at-grade rail crossings in the Blue Valley Industrial District in Kansas City, Missouri. The Bridge Corporation is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of the acquisition and construction of a toll bridge over the Lake of the Ozarks in Camden County. Governing bodies consist of boards of directors appointed by the Commission. Copies of the financial statements can be requested from:

KCT Intermodal Transportation Corporation
2345 Grand Boulevard, Suite 2500
Kansas City, Missouri 64108

Lake of the Ozarks Community Bridge Corporation
401 Cliffside Centre
Lake Ozark, Missouri 65049

The KCT-ITC's obligations are financed by a cost-sharing agreement of the member railroads of Kansas City Terminal. The Commission has no control over toll rates or corporation management and does not approve any debt of the KCT-ITC. Therefore, the Commission is not considered financially accountable and information for the KCT-ITC is not included within the accompanying combined financial statements.

The Bridge Corporation's obligations are financed by toll revenue. The Commission has no control over toll rates or corporation management and does not approve any debt of the Bridge Corporation. Therefore, the Commission is not considered financially accountable and financial information for the Bridge Corporation is not included within the accompanying combined financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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M. Inventories

Inventories are valued at cost using the weighted average method. The costs of Governmental Fund Type inventories are recorded as expenditures when consumed rather than when purchased.

(2) Cash and Investments

Missouri Statute 30.270.2 RSMo. 1994 authorizes the Department, with certain restrictions, to deposit funds in open accounts, time deposits, certificates of deposit, repurchase agreements, and United States treasury bills and notes. Statutes also require collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts, and the underlying investments must be assigned for the benefit of the Department. Collateral securities must be held by the Department or an independent third-party and must be of the kind prescribed by State Statutes and approved by the State Treasurer of Missouri.

Pooled cash and investments include amounts pooled in the State Treasury. Interest income earned on cash and investments pooled in the State Treasury is allocated to the funds based on the respective investment and cash balances in the Special Revenue Funds, excluding the State Transportation Trust Fund, and in the State Road Capital Projects Fund. The remaining funds do not earn interest.

Cash – At June 30, 2000, the carrying value of the Department's deposits at the State Treasury and third-party financial institutions were \$144,295,701 and \$829,173, respectively. The bank balance was \$2,630,138, of which \$203,669 was covered by federal depository insurance and \$2,426,469 was covered by collateral held by a third-party bank under a joint custody agreement.

The MTFC (discretely presented component unit) had deposits with a carrying amount and bank balance at June 30, 2000 of \$126,235 and \$126,282, respectively. Of the bank balances, \$126,282 was covered by federal depository insurance. Monies were also deposited in overnight repurchase agreements held by the dealer bank's trust department in the MTFC's name.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

Investments – The Department's investments at market value are categorized below to give an indication of the level of custodial risk assumed by the Department at year-end. Category A includes investments which are insured or registered, or for which the securities are held by the Department or its agent in the Department's name or under joint custody agreements. Category B includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department in the Department's name. Category C includes uninsured, unregistered investments for which the securities are held by the financial institution or its trust department or its agent, but not in the Department's name.

Type	Category			Fair Value
	A	B	C	
Repurchase agreements	\$ 19,701,446	—	—	19,701,446
U. S. treasury securities	—	40,215,120	—	40,215,120
	<u>\$ 19,701,446</u>	<u>40,215,120</u>	<u>—</u>	<u>59,916,566</u>
Total deposits (categorized above)				<u>145,124,874</u>
Total primary government				<u>\$ 205,041,440</u>

At June 30, 2000, the Department's deposits and investments consist of the following:

	General	Special Revenue	Capital Projects	Proprietary	Agency
Pooled cash and investments:					
Cash and investments pooled in the State Treasury	\$ 397,921	11,346,675	132,551,105	—	—
Cash deposited with banks	—	—	—	825,504	—
Repurchase agreements	—	—	—	778,561	—
Government securities	—	—	—	20,631,045	—
	<u>\$ 397,921</u>	<u>11,346,675</u>	<u>132,551,105</u>	<u>22,235,110</u>	<u>—</u>
Interest receivable	<u>\$ —</u>	<u>630,895</u>	<u>2,681,364</u>	<u>298,891</u>	<u>—</u>
Restricted assets:					
Cash deposited with banks	\$ —	—	—	—	3,669
Repurchase agreements	—	—	—	—	18,922,885
Government securities	—	—	—	—	19,584,075
	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>38,510,629</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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(3) Taxes

Tax revenues for the year were as follows:

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Fuel tax	\$ 481,408,214	92,648	481,500,862
Vehicle sales and use tax	<u>44,908,918</u>	<u>127,073,942</u>	<u>171,982,860</u>
	<u>\$ 526,317,132</u>	<u>127,166,590</u>	<u>653,483,722</u>

Taxes are remitted by the Missouri Department of Revenue to the Department subsequent to collection. The Department receives the following taxes:

- *Fuel tax* is paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines, and special fuel (primarily diesel fuel and liquefied petroleum gas) authorized by Sections 142.010 – 142.350; 155.080 and 155.090; and 142.362 – 142.621, RSMo., respectively. The tax rate on gasoline is \$.17 per gallon. The Department receives 75% of the first \$.11 and 70% of the next \$.06. The remaining tax is distributed to cities and counties. The tax rate on aviation fuel is \$.09 per gallon and on special fuels is \$.17 per gallon.
- *Vehicle sales and use taxes* are paid on the purchase of any new or used motor vehicle or trailer and on vehicles purchased out of state and titled in Missouri or a tax on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo., respectively. The general sales tax rate is 3% and Proposition C tax (RSMo. 144.701) is 1% for a total of 4%. Of the 4%, the Department receives 75% of 50% of the tax. The remaining 25% is distributed to cities and counties. The Department receives 100% of the 3% general use tax and 75% of the Proposition C use tax, and the other 25% is distributed to cities and counties.

(4) Interfund Transactions

Operating transfers for the year are:

	<u>Transfers In</u>	<u>Transfers Out</u>
State Highway and Transportation Department (Special Revenue) Fund	\$ 15,000,000	181,033,885
State Road (Capital Projects) Fund	<u>181,033,885</u>	<u>15,000,000</u>
	<u>\$ 196,033,885</u>	<u>196,033,885</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

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Amounts due to/from other funds at year-end were as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 124,453	—
State Transportation Trust (Special Revenue) Fund	29,731	—
State Road (Capital Projects) Fund	—	2,792,819
Local Agency Fund	2,638,635	—
	<u>\$ 2,792,819</u>	<u>2,792,819</u>

(5) Receivables

Receivables at June 30, 2000 were as follows:

Type	General	Special Revenue	Capital Projects	Internal Service	Total Primary Government	Component Unit
Federal government	\$ 1,772,922	—	28,416,034	—	30,188,956	—
Taxes	—	91,739,776	—	—	91,739,776	—
Reimbursements	160,000	—	23,912,249	108,549	24,180,798	—
Interest	—	630,895	2,681,365	298,891	3,611,151	852,697
Contributions	—	—	—	1,499,635	1,499,635	—
Notes	—	2,129,707	—	—	2,129,707	12,536,976
Total	<u>\$ 1,932,922</u>	<u>94,500,378</u>	<u>55,009,648</u>	<u>1,907,075</u>	<u>153,350,023</u>	<u>13,389,673</u>

The federal government receivable represents funds to be received on federally participating projects. Notes receivable in the Special Revenue Funds represent loans to the cities and counties for nonhighway related projects. Notes receivable and the component units primarily represent loans made by the MTFC to various political subdivisions.

(6) Long-Term Debt

Type of Issue	Beginning Balance	Additions	Reductions	Discount Accreted	Ending Balance
Advances from other governments	\$ 3,655,072	8,504,024	958,330	—	11,200,766
Advances from component units	57,306,323	11,861,614	5,182,700	1,321,676	65,306,913
Certificates of participation	1,000,000	—	1,000,000	—	—
Federal Highway Administration loan	15,000,000	—	—	—	15,000,000
Capital leases	2,182,025	276,549	1,676,400	—	782,174
Compensated absences	24,507,568	20,075,767	19,318,294	—	25,265,041
	<u>\$ 103,650,988</u>	<u>40,717,954</u>	<u>28,135,724</u>	<u>1,321,676</u>	<u>117,554,894</u>

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The detail of long-term debt at June 30, 2000 follows:

Advances from other governments:

County of St. Charles to provide for the design of Route D in St. Charles County; principal payments will occur on January 2, 2002; no interest will accrue	\$ 926,953
County of St. Charles to provide for the reconstruction of the I-70 and Route 94 interchange; principal payment will occur on January 1, 2001; no interest will accrue	337,538
Scott County Transit for the development of an industrial park at the intersection of Route H and HH; principal payment will occur on July 31, 2001; no interest will accrue	3,600,000
City of St. Charles to provide for the reconstruction of the I-70 and Route 94 interchange; principal payment will occur on January 1, 2001; no interest will accrue	337,538
City of Festus, Missouri for the reconstruction of the I-55 and Route A interchange in the City of Festus, Missouri; principal payment will occur on September 30, 2000; no interest will accrue	<u>5,998,737</u>
	<u>\$ 11,200,766</u>

Advances from component units:

MTFC for the construction of the Cape Girardeau Bridge in Cape Girardeau County; principal payments began on August 1, 1999 and conclude on August 1, 2003; principal payments range from \$2,000,000 to \$7,000,000; interest at the average rate earned on the State Road Fund for the sixty days prior to the payment due date (5.16% as of June 30, 2000)	\$ 26,000,000
Highway 179 Corporation for the construction of Highway 179; principal payments began August 1, 1999 and conclude August 1, 2008; principal payments range from \$2,140,734 to \$2,946,997; interest at 3.19%	18,525,978
210 Highway Transportation Development District for the widening of 210 Highway; principal payments begin July 2006 and conclude July 2007; principal payments range from \$965,504 to \$2,375,000; no interest will accrue	5,520,621
Springfield, Missouri State Highway Improvement Corporation for widening and improvements to the West Bypass; annual principal payments begin August 1, 2000 and conclude August 2005; principal payments range from \$3,667,000 to \$5,000,000; no interest will accrue	14,707,702
Fulton 54 Transportation Corporation for the right-of-way acquisition and utility adjustments for Route 54 and HH interchange; principal payments will occur on September 1, 2004, 2005, and 2006; no interest will accrue	<u>552,612</u>
	<u>\$ 65,306,913</u>

Federal Highway Administration loan; for the extension of Page Avenue in St. Charles; principal payment will occur as early as October 1, 2001; no interest will accrue

\$ 15,000,000

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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Capital lease obligations:

1997 lease-purchase of various computer equipment, due in monthly installments of \$18,664 through July 2000; interest at 6.05%	\$ 18,663
1997 lease-purchase of 3 Area Engineers offices, due in monthly installments of \$5,674 through January 2002; interest at 5.98%	36,115
1998 lease-purchase of various computer equipment, due in monthly installments of \$294 to \$32,278 through May 2002; interest varying from 4.85% to 9.14%	332,597
1998 lease-purchase of digital recorders, due in yearly installments of \$3,453 through June 2002; interest at 0%	6,906
1999 lease-purchase of various computer equipment, due in monthly installments of \$535 to \$974 through July 2002; interest varying from 6.16% to 7.18%	219,571
1999 John Deere Trackhoe, due in monthly installments of \$3,400 through October 2002; interest at 5.90%	95,200
2000 lease-purchase of 2 copiers, due in monthly installments of \$8,541 to \$15,833 through June 2003; interest at 0%	73,122
	<u>\$ 782,174</u>

Annual debt service requirements to maturity:

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
Advances from other governments:			
2001	\$ 10,273,813	—	10,273,813
2002	926,953	—	926,953
	<u>\$ 11,200,766</u>	<u>—</u>	<u>11,200,766</u>
Advances from component units:			
2001	\$ 14,140,735	1,933,984	16,074,719
2002	14,290,990	1,504,132	15,795,122
2003	14,156,200	1,069,487	15,225,687
2004	7,422,131	821,250	8,243,381
2005	3,141,577	485,720	3,627,297
Thereafter	12,155,280	718,053	12,873,333
	<u>\$ 65,306,913</u>	<u>6,532,626</u>	<u>71,839,539</u>
Capital leases:			
2001	\$ 470,653	26,609	497,262
2002	234,347	9,609	243,956
2003	40,209	747	40,956
	<u>\$ 745,209</u>	<u>36,965</u>	<u>782,174</u>

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Notes to Combined Financial Statements

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On May 30, 2000, the Governor approved House Bill 1742 which permits the General Assembly to authorize the Commission to issue up to \$2 billion in bonds in fiscal years 2001 to 2006. No more than \$500 million may be issued in any one year. In addition, the Commission was immediately authorized without further legislative action to issue up to \$250 million in bonds to provide funds for use in highway construction and repairs scheduled in the Department's five-year plan.

(7) Fixed Assets

Changes in general fixed assets are summarized below (in thousands of dollars):

	Balances July 1, 1999	Additions	Deductions	Balances June 30, 2000
Land	\$ 18,833	181	362	18,652
Land improvements	8,286	—	—	8,286
Buildings	132,150	12,058	532	143,676
Construction in progress	23,417	18,688	4,316	37,789
Equipment	334,681	16,171	11,537	339,315
Total	<u>\$ 517,367</u>	<u>47,098</u>	<u>16,747</u>	<u>547,718</u>

Component unit fixed assets as of June 30, 2000 consisted of construction in progress totaling \$23,561,581.

(8) Risk Management

Various lawsuits against the Department arise incident to the Department's normal operations. These include workers' compensation, vehicle liability, general liability, inverse condemnation, and contractor suits. It is the policy of the Department not to purchase commercial insurance, but to manage its risks internally by setting aside assets for the settlement of certain claims in its Internal Service Fund, the Self-Insurance Fund. The Self-Insurance Fund services claims for workers' compensation, vehicle liability, and general liability. Per Section 537.610, RSMo., the liability of the state and its public entities on claims within the scope of Sections 537.600 to 537.650 shall not exceed two million dollars for all claims arising out of a single accident or occurrence and shall not exceed three hundred thousand dollars for any one person in a single accident or occurrence, except for those claims governed by the provisions of the Missouri Workers' Compensation Law, Chapter 287 RSMo.

Liabilities for incurred losses related to workers' compensation and general and vehicle liability claims are reported at their discounted value, assuming an investment yield of 7%.

Inverse condemnation and contractor suits are paid from the State Road Fund.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated claims payable represents the Department's determination of the expected losses to be realized on known claims pending. Department personnel estimate the claims liability based on prior claims experience. Estimated unreported claims represent expected losses or claims incurred but not reported. The unreported claims liability is established from data provided by an actuary.

(9) Defined Benefit Pension Plan

Membership in the Highway and Transportation Employee's and Highway Patrol Retirement System (the Retirement System) was established, and is administered, by a Board of Trustees in accordance with the Revised Statutes of Missouri.

As it relates to the Department, the Retirement System is a cost-sharing multiemployer public employee retirement plan which provides retirement, death, and disability benefits to full-time employees (defined as at least 1,000 hours to be worked annually), with benefits vesting after five years of creditable service. Contributions to the Retirement System are 22.00% of covered payroll for regular wages and .08% for disability wages. The Department made the required contribution of \$48,984,315. Any amendments to the plan are established by the Retirement System Board of Trustees.

Employees do not contribute to the Retirement System. The Retirement System's funding policy provides for actuarially determined employer contributions using the entry-age normal cost method on a closed group basis (consisting of normal cost and amortization of any unfunded accrued liabilities over a forty-year period). Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State Statute to be funded in advance. Contributions for the special consultant fees are funded on an actuarial basis.

The Retirement System issues its own stand-alone financial report. Copies may be requested from:

The Highway and Transportation Employees' and
Highway Patrol Retirement System
1445 Christy Drive
Jefferson City, Missouri 65110

(10) Insurance Plan

The Highway Employees' and Highway Patrol Insurance Plan (the Medical and Life Plan) Internal Service Fund accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for Department employees and members of the Missouri State Highway Patrol. Changes to the plan are required to be approved by the Commission.

Incurred but not reported claims of \$7,445,435 are reported in the Medical and Life Plan as of June 30, 2000. These medical and prescription drug reserves are estimated based upon lag reports using an eighteen month run-off.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

(11) Commitments and Contingencies

Unemployment Benefits

The Department is subject to the Missouri Employment Security Law. Department employees who qualify are entitled to benefit payments during periods of unemployment. The Department is required to reimburse the Employment Division for benefit payments made to its former employees. There appears to be no practical method of estimating the amount of future benefit payments which may be made to former employees for wage credits earned prior to June 30, 2000. Consequently, this potential obligation is not included in the accompanying combined financial statements. Total reimbursements made by the Department during the fiscal year were \$144,113.

Construction Commitments

Construction awards outstanding for both state and federal participating projects at June 30, 2000 amounted to approximately \$791,214,000. The federal portion of this total was approximately \$579,319,000 or 73%.

Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. This could result in request for reimbursements to the grantor agency for any expenditures which are disallowed under grant terms. The Department believes that such disallowances, if any, would be immaterial.

Operating Leases

The Department is committed under leases for office equipment. Rental expenditures for the year ended June 30, 2000 amounted to \$2,189,736. Future minimum lease payments for these leases are as follows:

2001	\$ 2,428,236
2002	1,038,602
2003	932,477
2004	298,312
2005	247,937
Thereafter	<u>478,640</u>

Hancock Amendment

The Missouri Constitution bars the general assembly from imposing taxes which, together with all other revenues of the state, excluding federal funds, exceed a specified revenue limit. The revenue limit is calculated by dividing total state revenues by the personal income of Missouri in 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made or the average of personal income of Missouri in the previous three calendar years, whichever is greater. In the event total state revenues exceed the revenue limit by 1% or more, excess revenues are refunded to taxpayers.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 2000

During fiscal year 2000, refunds computed in accordance with this amendment for fiscal year 1998 were disbursed from the funds as follows: Motor Fuel Tax Fund (\$23,662,927), the State Highway and Transportation Department Special Revenue Fund (\$3,429,482), the State Road Capital Projects Fund (\$451,081), the Aviation Special Revenue Fund (\$11,633), and the State Transportation Assistance Revolving Fund (\$1,227). Additionally, the Department recognized \$1,646,189 which reduced these refund expenditures to reflect revised estimates made in the prior year.

At June 30, 2000, the Department had liabilities for refunds computed in accordance with this amendment for fiscal year 1999 recorded in the State Highway and Transportation Department Special Revenue Fund, the State Road Capital Projects Fund, the Aviation Trust Special Revenue Fund, and the State Transportation Assistance Revolving Special Revenue Fund of \$1,985,777, \$285,024, \$40,151, and \$722, respectively.

Additionally, the state legislature of Missouri has appropriated \$8,062,022 in fiscal year 1999 refunds which will be disbursed from the Motor Fuel Tax Fund in fiscal year 2001. No liability has been recorded for these future refunds because such refunds are liabilities of the state until appropriated from the Department's funds.

Litigation

The Department is defending litigation brought by certain levy districts seeking to assess the Department for levee improvements. The Department contends that, among other defects, the demanded payments from the State Road Fund are unconstitutional and even if proper, the levee districts are improperly calculating the alleged benefits to the Department. Currently, the Department is unable to predict the outcome of these cases, but intends to defend its position vigorously.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

The supplemental financial presentation contains data beyond what is included in the combined financial statements. These data are presented to provide additional financial information in order to better inform the users of the combined financial statements.

GENERAL FUND

The Department receives appropriations from the State's General Fund for federal funds advanced or reimbursed and funds used to initially fund or provide matching funds or support for programs paid wholly or partially from other sources.

Schedule 1

MISSOURI DEPARTMENT OF TRANSPORTATION

General Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis)

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Appropriations	\$ 12,726,920	7,475,424
Federal	30,108,736	27,080,033
Local match	866,261	866,261
Total revenues	<u>43,701,917</u>	<u>35,421,718</u>
Expenditures:		
Multimodal operations:		
Personal service	1,002,778	943,147
Fringes	352,920	251,197
Expense and equipment	695,005	145,506
Reimbursement to Highway Fund for professional and technical services provided	111,085	93,673
Transit	35,033,845	21,357,891
Rail	5,141,426	4,672,734
Aviation	13,311,521	8,619,903
Waterways	2,053,075	1,071,860
Mississippi Parkway Commission	21,826	21,826
Construction	713,298	299,154
Total expenditures	<u>58,436,779</u>	<u>37,476,893</u>
Excess of revenues under expenditures	\$ <u>(14,734,862)</u>	(2,055,175)
Fund balance, beginning of year		<u>(2,687,048)</u>
Fund balance, end of year		\$ <u><u>(4,742,223)</u></u>

See accompanying independent auditors' report.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes.

State Highway and Transportation Department Fund – This fund is constitutionally established to receive revenues derived from the use of state highways. This fund pays the costs incurred to collect that revenue, to administer the Highway and Transportation Commission and the Department of Transportation, to administer and enforce any state motor vehicle laws or traffic regulations, and to provide other related functions.

State Transportation Trust Fund – This fund is constitutionally established to receive 1% of one-half of the 3% state sales tax on all motor vehicles. As provided by Section 226.225, RSMo., appropriations from this fund authorize the disbursements for transportation purposes other than road and highway construction and maintenance.

Aviation Trust Fund – This fund is established by Section 155.090, RSMo. to account for all sales and use tax revenues upon aviation fuels. As provided by Section 305.230, RSMo., appropriations from this fund authorize disbursements for various aviation maintenance, safety, and airport planning projects.

State Transportation Assistance Revolving Fund – This fund is established by Section 226.191, RSMo. to assist in the planning, acquisition, development, and construction of transportation facilities other than highways in Missouri to be funded with state appropriations, contributions, federal monies, and other public and private sources.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – All Special Revenue Funds

June 30, 2000

Assets	State Highway and Transportation Department	State Transportation Trust	Aviation Trust	State Transportation Assistance Revolving	Totals
Pooled cash and investments	\$ 2,624,124	2,020,018	6,197,404	505,129	11,346,675
Receivables:					
Taxes	91,739,776	—	—	—	91,739,776
Interest	553,111	—	60,185	17,599	630,895
Notes	—	—	—	2,129,707	2,129,707
Inventories	5,631	—	—	—	5,631
Total assets	<u>\$ 94,922,642</u>	<u>2,020,018</u>	<u>6,257,589</u>	<u>2,652,435</u>	<u>105,852,684</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 14,647,182	1,262,205	995	—	15,910,382
Article X Hancock refunds	1,985,777	—	40,151	722	2,026,650
Due to other funds	—	29,731	—	—	29,731
Compensated absences	3,195,354	—	—	—	3,195,354
Total liabilities	<u>19,828,313</u>	<u>1,291,936</u>	<u>41,146</u>	<u>722</u>	<u>21,162,117</u>
Fund equity:					
Fund balance:					
Reserved for inventories	5,631	—	—	—	5,631
Reserved for loans receivable	—	—	—	2,129,707	2,129,707
Unreserved	75,088,698	728,082	6,216,443	522,006	82,555,229
Total fund equity	<u>75,094,329</u>	<u>728,082</u>	<u>6,216,443</u>	<u>2,651,713</u>	<u>84,690,567</u>
Total liabilities and fund equity	<u>\$ 94,922,642</u>	<u>2,020,018</u>	<u>6,257,589</u>	<u>2,652,435</u>	<u>105,852,684</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
All Special Revenue Funds

For the Year Ended June 30, 2000

	State Highway and Transportation Department	State Transportation Trust	Aviation Trust	State Transportation Assistance Revolving	Totals
Revenues:					
Taxes	\$ 519,575,663	1,631,152	5,110,317	—	526,317,132
Licenses, fees, and permits	145,763,707	—	—	—	145,763,707
Investment and interest	2,911,524	1,048	234,125	104,230	3,250,927
Cost reimbursements	2,305,925	—	—	1,048	2,306,973
Appropriations	—	8,116,937	—	—	8,116,937
Total revenues	670,556,819	9,749,137	5,344,442	105,278	685,755,676
Expenditures:					
Personal service	418,005,984	6,406	—	—	418,012,390
Operating	76,350,448	1,399	14,690	—	76,366,537
Specific programs	398,380	—	—	—	398,380
Equipment purchases	9,434,114	—	—	—	9,434,114
Property and improvements	9,313,885	—	—	—	9,313,885
Article X Hancock refund	536,913	—	35,200	164	572,277
Intergovernmental	—	9,653,097	1,979,851	—	11,632,948
Miscellaneous	6,061,738	—	82	—	6,061,820
Total expenditures	520,101,462	9,660,902	2,029,823	164	531,792,351
Excess of revenues over expenditures	150,455,357	88,235	3,314,619	105,114	153,963,325
Other financing sources (uses):					
Operating transfers in	15,000,000	—	—	—	15,000,000
Operating transfers out	(181,033,885)	—	—	—	(181,033,885)
Total other financing uses	(166,033,885)	—	—	—	(166,033,885)
Excess of revenues and other financing sources over (under) expenditures and other uses	(15,578,528)	88,235	3,314,619	105,114	(12,070,560)
Fund balance, beginning of year	90,672,857	639,847	2,901,824	2,546,599	96,761,127
Fund balance, end of year	\$ 75,094,329	728,082	6,216,443	2,651,713	84,690,567

See accompanying independent auditors' report

MISSOURI DEPARTMENT OF TRANSPORTATION

State Highway and Transportation Department Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis)

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Fuel taxes	\$ 477,714,045	480,118,603
Licenses, fees, and permits	159,170,648	145,771,169
Vehicle sales and use taxes	38,621,977	38,776,520
Interest	2,580,088	3,121,061
Cost reimbursements	2,767,592	2,567,553
Total revenues	<u>680,854,350</u>	<u>670,354,906</u>
Expenditures:		
Administration:		
Personal service	26,244,359	24,442,349
Fringe	11,253,630	13,186,160
Expense and equipment	10,488,066	8,074,273
Maintenance:		
Personal service	115,857,765	112,822,154
Fringe	48,864,923	46,791,270
Construction:		
Personal service	79,625,463	74,696,344
Fringe	32,882,681	30,861,424
Service operations:		
Personal service	14,729,649	14,726,599
Fringe	6,433,596	6,346,442
Expense and equipment	14,453,719	8,747,023
Multimodal operations:		
Personal service	156,849	145,254
Fringe	43,987	43,475
Article X Hancock refunds	4,878,346	3,429,482
Appropriations spent by other state agencies	179,882,654	175,019,171
Total expenditures	<u>545,795,687</u>	<u>519,331,418</u>
Excess of revenues over expenditures	\$ <u>135,058,663</u>	<u>151,023,488</u>
Other financing sources (uses):		
Operating transfers from other funds		15,000,000
Operating transfers to other funds		(181,033,885)
Total other financing uses		<u>(166,033,885)</u>
Excess of revenues and other financing sources under expenditures and other financing uses		(15,010,397)
Fund balance, beginning of year		<u>2,874,052</u>
Fund balance, end of year	\$	<u>(12,136,345)</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

State Transportation Trust Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis)

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Appropriations	\$ 8,116,937	8,116,937
Vehicle sales tax	<u>1,200,000</u>	<u>1,778,887</u>
Total revenues	<u>9,316,937</u>	<u>9,895,824</u>
Expenditures:		
Multimodal operations:		
Personal service	43,301	4,874
Reimbursement to the Road Fund		
for professional and technical services	29,731	29,731
Transit	8,116,938	8,116,936
Rail	1,625,853	1,507,525
Fringes	<u>11,619</u>	<u>1,836</u>
Total expenditures	<u>9,827,442</u>	<u>9,660,902</u>
Excess of revenues over (under) expenditures	\$ <u>(510,505)</u>	234,922
Fund balance, beginning of year		<u>522,893</u>
Fund balance, end of year		\$ <u><u>757,815</u></u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Aviation Trust Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis)

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Fuel taxes	\$ 3,984,000	5,146,831
Interest	<u>156,799</u>	<u>156,799</u>
Total revenues	<u>4,140,799</u>	<u>5,303,630</u>
Expenditures:		
Multimodal operations – aviation	4,261,249	1,994,624
Article X Hancock refunds	<u>16,584</u>	<u>11,633</u>
Total expenditures	<u>4,277,833</u>	<u>2,006,257</u>
Excess of revenues over (under) expenditures	<u>\$ (137,034)</u>	3,297,373
Fund balance, beginning of year		<u>2,899,036</u>
Fund balance, end of year		<u>\$ 6,196,409</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

State Transportation Assistance Revolving Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis)

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Principal and interest on STAR fund loans	\$ 577,392	546,057
Interest	69,037	69,038
Total revenues	<u>646,429</u>	<u>615,095</u>
Expenditures:		
STAR fund loan disbursement	1,712,000	1,675,000
Article X Hancock refunds	1,785	1,227
Total expenditures	<u>1,713,785</u>	<u>1,676,227</u>
Excess of revenues under expenditures	\$ <u>(1,067,356)</u>	(1,061,132)
Fund balance, beginning of year		<u>1,566,261</u>
Fund balance, end of year		\$ <u>505,129</u>

See accompanying independent auditors' report.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for resources used for the acquisition and/or construction of capital projects not being financed by other funds.

State Road Fund – This fund is constitutionally established to receive monies from the motor vehicle sales tax, the federal government, and transfers from the State Highway and Transportation Department Fund and the State's Motor Fuel Tax Fund, and any other revenues held by the Department not required to be in another fund. Appropriated disbursements consist of costs incurred to construct, improve, and maintain the state highway system.

Third State Building Trust Fund – Appropriations from this fund include certain Department capital improvement projects.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – All Capital Projects Funds

June 30, 2000

Assets	State Road	Third State Building Trust	Totals
Cash	\$ 132,551,105	—	132,551,105
Receivables:			
Federal government	28,416,034	—	28,416,034
Cost reimbursements	23,912,250	—	23,912,250
Interest	2,681,364	—	2,681,364
Due from other funds	2,792,819	—	2,792,819
Inventories	33,264,714	—	33,264,714
Total assets	<u>\$ 223,618,286</u>	<u>—</u>	<u>223,618,286</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 61,999,734	—	61,999,734
Article X Hancock refunds	285,024	—	285,024
Retainages payable	29,436,028	—	29,436,028
Deferred revenue	39,400,710	—	39,400,710
Total liabilities	<u>131,121,496</u>	<u>—</u>	<u>131,121,496</u>
Fund equity:			
Fund balance:			
Reserved for inventories	33,264,714	—	33,264,714
Unreserved	59,232,076	—	59,232,076
Total fund equity	<u>92,496,790</u>	<u>—</u>	<u>92,496,790</u>
Total liabilities and fund equity	<u>\$ 223,618,286</u>	<u>—</u>	<u>223,618,286</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
All Capital Projects Funds

For the Year Ended June 30, 2000

	State Road	Third State Building Trust	Totals
Revenues:			
Taxes	\$ 127,166,590	—	127,166,590
Licenses, fees, and permits	90,829,453	—	90,829,453
Interest	7,926,757	—	7,926,757
Cost reimbursements	70,536,591	—	70,536,591
Appropriations	—	28,000	28,000
Federal Highway Administrator	616,403,153	—	616,403,153
Total revenues	912,862,544	28,000	912,890,544
Expenditures:			
Operating	179,117,433	—	179,117,433
Specific programs	317,891	—	317,891
Equipment purchases	32,271,967	—	32,271,967
Property and improvements	869,267,315	28,000	869,295,315
Debt service	8,523,353	—	8,523,353
Article X Hancock refund	93,208	—	93,208
Miscellaneous	5,065,909	—	5,065,909
Total expenditures	1,094,657,076	28,000	1,094,685,076
Revenues under expenditures	(181,794,532)	—	(181,794,532)
Other financing sources (uses):			
Proceeds from issuance of long-term debt	20,365,638	—	20,365,638
Operating transfers in	181,033,885	—	181,033,885
Operating transfers out	(15,000,000)	—	(15,000,000)
Total other financing sources	186,399,523	—	186,399,523
Excess of revenues and other financing sources over expenditures and other financing uses	4,604,991	—	4,604,991
Fund balance, beginning of year	87,891,799	—	87,891,799
Fund balance, end of year	\$ 92,496,790	—	92,496,790

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

State Road Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis)

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Fuel taxes	\$ 285,799	100,928
Licenses, fees, and permits	84,799,353	99,777,093
Vehicle sales and use taxes	127,378,023	139,492,766
Interest	5,419,912	5,424,368
Cost reimbursements	58,990,408	74,670,863
Federal Highway Administrator	586,400,000	617,483,420
Total revenues	<u>863,273,495</u>	<u>936,949,438</u>
Expenditures:		
Maintenance/preservation – expense and equipment	132,402,210	111,720,545
Construction:		
Preliminary and construction engineering	52,013,546	48,778,222
Contracts	740,087,000	785,345,122
ROW purchases	100,000,000	56,520,000
Service operations – expense and equipment	64,078,854	80,542,706
Multimodal operations:		
Fringe benefits	24,578	21,083
Expense and equipment	15,000	11,504
Article X Hancock refunds	642,897	451,081
Total expenditures	<u>1,089,264,085</u>	<u>1,083,390,263</u>
Excess of revenues under expenditures	\$ <u>(225,990,590)</u>	<u>(146,440,825)</u>
Other financing sources:		
Proceeds from innovative financing		18,975,952
Operating transfers from other funds		181,033,885
Operating transfers to other funds		<u>(15,000,000)</u>
Total other financing sources		<u>185,009,837</u>
Excess of expenditures and other uses under revenues and other sources		38,569,012
Fund balance, beginning of year		<u>26,587,310</u>
Fund balance, end of year		\$ <u><u>65,156,322</u></u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Third State Building Trust Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Budget Basis)

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>
Revenues – appropriations	\$ 265,549	28,000
Expenditures:		
Highway purposes	85,548	28,000
Nonhighway purposes	1	—
Intersection of Route 291 and Route 150	180,000	—
Total expenditures	265,549	28,000
Revenues over expenditures	\$ —	—
Fund balance, beginning of year		—
Fund balance, end of year		\$ —

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Highway Employees' and Highway Patrol Insurance Plan Fund – This fund accounts for the medical and life insurance coverage to Department of Transportation employees and members of the Missouri State Highway Patrol. Changes to the plan are required to be approved by the Missouri Highway and Transportation Commission.

Self-Insurance Fund – This fund accounts for highway and highway patrol monies used to pay workers' compensation claims. Monies are also used to pay automobile and general liability claims against the Department. Under RSMo. Chapter 287, the Department is required to establish an escrow agreement in the amount of \$200,000 to operate as a self-insurer. The Department is in compliance with this requirement and maintains contributed capital in the amount of \$210,000 in an escrow account funded by a contribution from the State Highway and Transportation Department Fund.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – All Internal Service Funds

June 30, 2000

Assets	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Totals
Cash and investments	\$ 825,504	21,409,606	22,235,110
Receivables:			
Interest	—	298,891	298,891
Contributions	1,499,635	—	1,499,635
Other	108,549	—	108,549
Total assets	<u>\$ 2,433,688</u>	<u>21,708,497</u>	<u>24,142,185</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 8,119,994	20,920,887	29,040,881
Deferred revenue	2,681,665	—	2,681,665
Total liabilities	<u>10,801,659</u>	<u>20,920,887</u>	<u>31,722,546</u>
Fund equity (deficit);			
Contributed capital	—	210,000	210,000
Retained earnings (deficit)	(8,367,971)	577,610	(7,790,361)
Total fund equity (deficit)	<u>(8,367,971)</u>	<u>787,610</u>	<u>(7,580,361)</u>
Total liabilities and fund equity	<u>\$ 2,433,688</u>	<u>21,708,497</u>	<u>24,142,185</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenses, and Changes
in Retained Earnings (Deficit) – All Internal Service Funds

For the Year Ended June 30, 2000

	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Totals
Operating revenues:			
Insurance premiums:			
Highway workers' compensation	\$ —	5,125,230	5,125,230
Highway patrol workers' compensation	—	816,696	816,696
Highway automobile liability	—	1,135,508	1,135,508
Contributions:			
State	30,653,487	—	30,653,487
Member	18,515,074	—	18,515,074
Other	177,286	242,126	419,412
Total operating revenues	49,345,847	7,319,560	56,665,407
Operating expenses:			
Program	—	649,022	649,022
Self-insurance claims:			
Highway workers' compensation	—	4,321,058	4,321,058
Highway patrol workers' compensation	—	1,552,302	1,552,302
Highway automobile liability	—	434,750	434,750
Highway general liability	—	(114,623)	(114,623)
Medical and life:			
Insurance premium	6,030,103	—	6,030,103
Claims	35,423,587	—	35,423,587
Administrative service	1,989,098	—	1,989,098
Prescription drugs	8,744,637	—	8,744,637
Professional fees	135,990	—	135,990
Other	31,525	—	31,525
Total operating expenses	52,354,940	6,842,509	59,197,449
Operating income (loss)	(3,009,093)	477,051	(2,532,042)
Nonoperating revenues:			
Interest income	95,779	1,208,589	1,304,368
Net decrease in fair value of investments	—	(94,665)	(94,665)
Total nonoperating revenues	95,779	1,113,924	1,209,703
Net income (loss)	(2,913,314)	1,590,975	(1,322,339)
Retained deficit at beginning of year	(5,454,657)	(1,013,365)	(6,468,022)
Retained earnings (deficit) at end of year	\$ (8,367,971)	577,610	(7,790,361)

See accompanying independent auditors' report

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Cash Flows – All Internal Service Funds

For the Year Ended June 30, 2000

	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Totals
Cash flows from operating activities:			
Operating income (loss)	\$ (3,009,093)	477,051	(2,532,042)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating loss activities:			
Increase in interest receivable	—	(27,726)	(27,726)
Increase in contributions receivable	(1,387,287)	—	(1,387,287)
Increase (decrease) in accounts payable	2,114,339	(2,382,445)	(268,106)
Increase in deferred revenue	1,346,119	—	1,346,119
Net cash used in operating activities	(935,922)	(1,933,120)	(2,869,042)
Cash flows from investing activities:			
Sale of investments	—	4,792,781	4,792,781
Purchase of investments	—	(3,513,374)	(3,513,374)
Interest on investments	95,779	1,208,589	1,304,368
Net cash provided by investing activities	95,779	2,487,996	2,583,775
Net increase (decrease) in cash and cash equivalents	(840,143)	554,876	(285,267)
Cash and cash equivalents at beginning of year	1,665,647	223,685	1,889,332
Cash and cash equivalents at end of year	\$ 825,504	778,561	1,604,065
Cash	\$ 825,504	—	825,504
Repurchase agreements	—	778,561	778,561
	\$ 825,504	778,561	1,604,065

See accompanying independent auditors' report.

AGENCY FUND

Agency Funds account for assets held by a government as an agent for other governments.

Local Fund – This fund, established by RSMo. 227.180, accounts for money received by the Department from various political subdivisions and other interested parties, which is segregated in its own bank account and used to reimburse Department funds for expenditures incurred by the Department on behalf of the political subdivision or other interested party.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Changes in Assets and Liabilities – Agency Fund

For the Year Ended June 30, 2000

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
Assets – restricted assets	\$ 34,288,920	39,026,034	(34,804,325)	38,510,629
Liabilities:				
Due to other funds	\$ 1,248,949	14,577,257	(13,187,571)	2,638,635
Advances from other governments	33,039,971	24,448,777	(21,616,754)	35,871,994
Total liabilities	\$ 34,288,920	39,026,034	(34,804,325)	38,510,629

See accompanying independent auditors' report.